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# Vietnam in Transition: Prospects for and Implications of Reform (C)

Special National Intelligence Estimate

Key Judgments

*These Key Judgments represent the views  
of the Director of Central Intelligence  
with the advice and assistance of the  
US Intelligence Community.*

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***The following intelligence organizations participated  
in the preparation of these Key Judgments:***

The Central Intelligence Agency

The Defense Intelligence Agency

The National Security Agency

The Bureau of Intelligence and Research, Department of State

The Office of Intelligence Support, Department of the Treasury

***also participating:***

The Deputy Chief of Staff for Intelligence, Department of the Army

The Director of Naval Intelligence, Department of the Navy

The Assistant Chief of Staff, Intelligence, Department of the Air Force

***The National Foreign Intelligence Board concurs,  
except as noted in the text.***

***The full text of this Estimate is being published  
separately with regular distribution.***

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## Key Judgments

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We believe that Vietnam—at least for the next few years—intends to concentrate on domestic reform and pursue a diplomacy that is generally more conciliatory and principally focused on expanding and diversifying its economic ties. While Hanoi is unlikely to forswear military posturing entirely, we believe Vietnam is moving toward a new security framework in its own Indochina backyard that is much less dependent on military domination.

The economy has been reduced to virtual paralysis, spawning widespread deprivation and a deep-seated malaise that has infected all levels of the society. General Secretary Nguyen Van Linh has instituted a broadbased program of domestic reforms not unlike Gorbachev's *perestroika* and *glasnost* policies—so far to little effect. The overall situation has actually deteriorated over the past two years.

We believe several factors militate against a rapid economic turnaround for Vietnam:

- A weak economic infrastructure, including a limited capacity to absorb foreign aid or investment.
- An inability, thus far, to implement effectively its reform initiatives.
- An inability to expand agricultural production much beyond present levels.

Linh and other senior officials concede that reforms will not have any discernible impact for at least four or five years. Although improvements in some sectors are possible in the short term, we find Linh's prognosis to be optimistic.

A far less likely prospect, in our view, is the early stabilization of the current economic chaos, followed by a period of sustained growth fueled by large infusions of international aid. While Japan, France, and others have expressed interest in an international consortium, at least several years of efforts focused on infrastructure development would be necessary to stimulate real growth.

We also do not rule out the possibility of widespread popular agitation and rioting should the living standards of most Vietnamese continue to decline. While the security apparatus probably could contain such outbursts, the unrest could engender a serious backlash by conservative leaders against the reform program and its proponents.

The new leadership increasingly has also come to view the conflict in Cambodia as a costly and counterproductive venture that is militarily unwinnable. Although Hanoi probably does not expect substantial savings from a military pullback from Cambodia, particularly early on, it does believe that the conflict in Cambodia distracts attention and resources from urgent domestic problems, and blocks meaningful access to the Western and Japanese aid, trade, investment, and technology it needs to forge an economic recovery and development strategy.<sup>1</sup>

Despite the deep hostility in Vietnam's relationship with China, there appears to be grounds for, and some signs of movement toward, an eventual accommodation with Beijing. Hanoi's pledge to withdraw from Cambodia—when met—will resolve a central point of contention with China. Vietnamese officials seem resigned, nonetheless, to the probability that Beijing will dictate a relatively slow pace toward full normalization. However, disputes over the Spratly Islands could derail even these modest efforts.

We see little reason to suspect that Soviet influence in Vietnam will decline over the near term. Moscow will remain Hanoi's main aid donor, and we have no evidence that the Soviets are prepared to take drastic steps, such as cutting aid to force Vietnamese compliance on issues of Soviet concern. Nevertheless, occasional tensions will arise, particularly over aid and Sino-Soviet relations, and residual nervousness exists in Hanoi that Moscow could sell Vietnam's interests short in favor of improved relations with Beijing.

We judge that Vietnam's break with the past in its domestic and foreign policies has important implications for the United States. If, as expected, diplomatic momentum on Cambodia continues to gather, there will be increasing pressure in the near term from the Association of Southeast

<sup>1</sup> INR basically agrees with the analysis of Vietnam's economic and domestic political condition, but we believe that this Estimate overstates the linkage between Hanoi's economic straits and flexibility in its Indochina policy. Vietnam's security policy never envisioned indefinite military occupation of Cambodia and Laos, but rather, the emplacement of pliant regimes in both these countries. Hanoi's recent willingness to revise its approach to a Cambodian settlement, in our judgment, represents a tactical response, rather than a major strategic shift, as implied in the main text. INR believes Hanoi's leaders have decided to step up withdrawals and possibly facilitate the settlement process—even at some risk—partly in response to domestic problems and Soviet urgings, but also for what they judge are positive factors and opportunities: the balance of power in Cambodia rests with Vietnam and the People's Republic of Kampuchea, Sihanouk is clearly anxious to return to Phnom Penh, the non-Communist resistance is weak, and there have been signs of softness in the consensus of the Association of Southeast Asian Nations. We believe that Hanoi is very unlikely to accept a negotiated settlement in Cambodia that seriously compromises its Phnom Penh clients or risks a major Khmer Rouge resurgence.

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Asian Nations and others for a more direct and prominent US involvement in resolving the issue. Even Hanoi and Moscow have expressed support for greater US participation in achieving and guaranteeing an accord. Given the large number of competing interests, there are risks that the United States may at times be pulled in opposing directions by friendly, as well as by adversarial parties. The complex maneuvering of Cambodia's Prince Sihanouk, in particular, appears to hold such potential, as does the resolution of the Khmer Rouge role in a settlement.

Vietnam is also likely to press for rapid normalization of relations with the United States after Vietnamese troops are withdrawn from Cambodia. Although Hanoi views improving relations as an important component of its overall strategy for emerging from its isolation, it probably holds out little hope for major US Government aid. Hanoi will, however, attempt to exploit any diplomatic headway on Cambodia to pressure Washington to drop its opposition to international aid, trade, and investment.



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